

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AGR-20 CIAE-00 COME-00 INR-11

LAB-06 NSAE-00 RSC-01 SP-03 STR-08 TRSE-00 SWF-02

CIEP-03 FRB-03 OMB-01 TAR-02 DODE-00 PM-07 H-03 L-03

NSC-07 PA-04 PRS-01 SS-20 USIA-15 DRC-01 /149 W

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R 272240Z AUG 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 7918

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMCONSUL GUAYAQUIL

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE SAN JOSE 3271

E.O. 11652: N/A

TAGS: ETRD, CS

SUBJECT: STANDARD APPARENTLY WITHDRAWS PROPOSAL TO SELL
BANANA PROPERTIES

REF: SAN JOSE 3225

SUMMARY. THE STANDARD FRUIT COMPANY HAS WRITTEN A LETTER TO
PRESIDENT ODUBER, PUBLISHED IN THE LOCAL PRESS, WHICH ASSURES
HIM THAT THE COMPANY'S EARLIER OFFER TO SEEL ITS BANANA PROPERTIES
IN COSTA RICA WAS IN NO WAY INTENDED AS A CHALLENGE OR AN ULTI-
MATUM. THE LETTER ALSO, IN EFFECT, WITHDRAWS THE COMPANY'S
OFFER TO SELL. ACCORDING TO PRIVATE COMMENTS FROM A KEY GOVERN-
MENT OFFICIAL, THIS ACTION BY STANDARD HAS BEEN WELL RECEIVED
BY THE COSTA RICAN GOVERNMENT, AND CLEARS THE WAY FOR A MEANING-
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FUL DIALOG BETWEEN THE COMPANY AND THE GOVERNMENT IN A CALMER

ATMOSPHERE. END SUMMARY

1. STANDARD FRUIT COMPANY GENERAL MANAGER ROBERT IGLEHEART HAS NOW REPLIED BY MEANS OF A LETTER TO PRESIDENT ODUBER TO THE LATTER'S PUBLIC CHARGE THAT THE STANDARD FRUIT COMPANY IN OFFERING TO SELL ITS BANANA PROPERTIES IN COSTA RICA HAS PRESENTED COSTA RICA WITH A CHALLENGE AND AN ULTIMATUM. IGLEHEART'S LETTER WAS PUBLISHED IN SAN JOSE NEWSPAPER AUGUST 27, PRESUMABLY HAVING BEEN RELEASED BY THE COSTA RICAN GOVERNMENT.

2. LETTER ASSURES PRESIDENT ODUBER THAT STANDARD FRUIT'S OFFER TO SELL ITS BANANA PROPERTIES, CONTAINED IN A TELEGRAM OF MAY 17 FROM MR. KIRCHHOFF, WAS NOT INTENDED AS A CHALLENGE OR MENACE TO THE DIGNITY OF COSTA RICA. IGLEHEART SAID THAT, SINCE IT HAD BEEN SO INTERPRETED, THE COMPANY "RETRACTS THE TERMS OF THIS TELEGRAM WITH ALL CONSIDERATION AND RESPECT TOWARD YOUR ILLUSTRIOUS GOVERNMENT." IGLEHEART'S LETTER ALSO EXPRESSED GRATIFICATION THAT COSTA RICA HAS LOWERED THE BANANA TAX, "AT LEAST TEMPORARILY," AND CONFIDENCE THAT THE GOVERNMENT OF COSTA RICA "WITH ITS LONG AND WELL ESTABLISHED DEMOCRATIC AND JUDICIAL TRADITION WILL FIND A JUST AND EQUITABLE SOLUTION FOR THE INTERESTS OF THE COSTA RICAN PEOPLE ON ONE SIDE AND THE BANANA INDUSTRY ON THE OTHER."

3. MINISTER OF FINANCE PORFIRIO MORERA TOLD CHARGE AND EMBOFF THAT HE WAS PLEASED BY THE CONCILIATORY TONE OF IGLEHEART'S LETTER TO PRESIDENT ODUBER, WHICH BY WITHDRAWING CHALLENGE OR ULTIMATUM TO GOCR HAD CLEARED THE AIR FOR CONTINUATION OF A MEANINGFUL DIALOG BETWEEN THE COMPANY AND THE GOVERNMENT. MORERA WAS NOT CERTAIN WHETHER IGLEHEART'S LETTER HAD BEEN INTENDED TO BE THE DEFINITIVE MESSAGE THE GOVERNMENT HAD EXPECTED TO RECEIVE BY AUGUST 30 TO CLARIFY THE COMPANY'S POSITION ON POSSIBLE SALE OF ITS PROPERTIES TO THE GOCR, BUT THE MINISTER INFERRED FROM THE LETTER THAT THE BANANA SITUATION WITH STANDARD COULD NOW BE CHARACTERIZED AS ONE IN WHICH "STANDARD HAS ASSERTED ITS WILLINGNESS TO SELL, BUT DOES NOT WISH TO SELL, AND COSTA RICA HAS ASSERTED ITS WILLINGNESS TO BUY BUT DOES NOT WISH TO BUY."

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4. AS TO THE NATURE OF A POSSIBLE SETTLEMENT, MORERA BELIEVES THAT COSTA RICA WOULD FIND ACCEPTABLE A SOLUTION PROVIDING FOR A LOWER TAX WITH PROVISION FOR PERIODIC MODEST INCREASES IN THE TAX LEVEL. THE GRADUAL NATURE OF SUCH A PROCESS OF TAX INCREASE WOULD GIVE THE COMPANIES TIME TO ADJUST. IT SEEMED CLEAR THAT MORERA WAS THINKING OF SOMETHING ALONG THE LINES OF THE SETTLEMENT

ALREADY WORKED OUT BETWEEN HONDURAS AND UNITED BRANDS, BUT HE DID NOT SAY THAT COSTA RICA WOULD FOLLOW THE HONDURAN FORMULA.

5. EMBOFF CONTACTED LOCAL STANDARD FRUIT REPRESENTATIVE DE LA ESPRIELLA AUGUST 27, WHO CONFIRMED THAT IGLEHEART'S LETTER TO PRESIDENT ODUBER CONSTITUTES DEFINITIVE STATEMENT, THAT STANDARD FRUIT WAS SUPPOSED TO SUPPLY TO THE COSTA RICAN GOVERNMENT BY AUGUST 30, CONCERNING WHETHER OR NOT IT DESIRES TO SELL ITS PROPERTIES IN COSTA RICA. DE LA ESPRIELLA SAID THAT HIS COMPANY DOES NOT INTEND TO PRESENT ANY OTHER REPLY PRIOR TO DEADLINE. EMBASSY WILL BE DISCUSSING THE SUBJECT IN MORE DETAIL WITH DE LA ESPRIELLA TOMORROW AND WILL REPORT ANY FURTHER INFORMATION AVAILABLE.

6. COMMENT: IT WOULD APPEAR THAT IGLEHEART'S LETTER, ALTHOUGH LESS THAN COMPLETELY CLEAR, WAS CORRECTLY INTERPRETED BY FINANCE MINISTER MORERA AS AN INDICATION THAT THE COMPANY NO LONGER WISHES TO PURSUE THE QUESTION OF SELLING ITS BANANA PROPERTIES IN COSTA RICA. AS MORERA SUGGESTED, THIS DEVELOPMENT WOULD SEEM TO BE A POSITIVE ONE WHICH CLEARS THE WAY FOR FURTHER DISCUSSIONS IN A CALMER CLIMATE WITHOUT PRESSURE OF DEADLINES AND ULTIMATUMS, EITHER REAL OR IMAGINED.

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NOTE BY OC/T: # AS RECEIVED.

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To: STATE
Type: TE
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